AK FİNANSAL KİRALAMA A.Ş.

**INTERIM CONDENSED FINANCIAL STATEMENTS
AS OF 30 JUNE 2016 TOGETHER WITH INDEPENDENT
AUDITORS' REVIEW REPORT**

Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

Building a better working world

Report on review of interim condensed financial statements

To the Board of Directors of Ak Finansal Kiralama A.Ş.

We have reviewed the accompanying interim condensed financial statements of Ak Finansal Kiralama A.Ş. ("the Company") which comprise the statement of financial position as at 30 June 2016 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard 34, "Interim financial reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst&Young Global Limited

Damla Harman, SMMM
Partner

August 25, 2016
Istanbul, Turkey

INDEX TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

CONTENTS	PAGE

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

ASSETS	Notes	30 June 2016	31 December 2015
Cash and cash equivalents	5	358,465	405,285
Finance lease receivables	6	4,200,128	4,033,860
Other assets and prepaid expenses		26,323	26,841
Derivative financial instruments	9	5,076	6,658
Assets held for sale		797	329
Property and equipment, net		625	538
Intangible assets, net		872	598
Deferred tax asset, net	10	937	5,179
Total assets		**4,593,223**	**4,479,288**
LIABILITIES			
Borrowings	7	2,384,635	2,415,891
Debt securities issued	8	1,236,440	1,182,418
Accounts payable		133,168	91,680
Advances from customers		34,901	22,654
Derivative financial instruments	9	34,225	56,576
Other liabilities		2,174	2,609
Income tax liability	10	3,436	4,583
Employment benefits		1,381	1,578
Total liabilities		**3,830,360**	**3,777,989**
EQUITY			
Share capital	11	248,400	248,400
Adjustment to share capital	11	(13,393)	(13,393)
Total paid-in share capital	11	235,007	235,007
Legal reserves		41,813	33,534
Hedge reserves		(1,200)	1,021
Retained earnings		423,458	336,913
Net profit / (loss) for current year		63,785	94,824
Total equity		**762,863**	**701,299**
Total liabilities and equity		**4,593,223**	**4,479,288**

The accompanying notes form an integral part of these financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	30 June 2016	30 June 2015
Interest income from direct finance leases		156,095	148,916
Interest income on placements and transactions with banks		14,045	4,769
Total interest income		**170,140**	**153,685**
Interest expense on borrowings		(60,255)	(57,465)
Interest expense on debt securities		(30,086)	(29,246)
Net interest income		**79,799**	**66,974**
Foreign exchange gains, including net gains or losses from dealing in foreign currency		(7,560)	23,094
Net interest income after foreign exchange gains or losses		**72,239**	**90,068**
Net trading, hedging and fair value income/(loss)		20,549	(20,215)
Fee and commission income/(expenses), net		4,524	2,344
Impairment loss on finance lease receivables	6	(12,438)	(12,179)
Recoveries from impaired lease receivables	6	5,894	4,119
Other income/(expenses), net		1,193	1,756
Operating expenses		(12,033)	(10,440)
Operating profit		**79,928**	**55,453**
Income before tax		**79,928**	**55,453**
Taxation on income	11	(16,143)	(11,096)
Net income for the year		**63,785**	**44,357**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
- Cash flow hedge income/(expense)		(2,776)	(850)
- Tax on cash flow hedge		555	170
Net other comprehensive income/ (expense) for the period		**(2,221)**	**(680)**
Total comprehensive income		**61,564**	**43,677**

The accompanying notes form an integral part of these financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 3O JUNE 2016

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

		Paid in share capital						
	Notes	**Share capital**	**Adjustment to share capital**	**Total paid-in share capital**	**Legal reserves**	**Hedge reserves**	**Retained earnings**	**Total Equity**
Balance at 1 January 2015		**188,400**	**(13,393)**	**175,007**	**30,948**	**-**	**339,499**	**545,454**
Transfers		-	-	-	2,586	-	(2,586)	-
Dividends paid		-	-	-	-	-	-	-
Capital increase in cash		60,000	-	60,000	-	-	-	60,000
Total comprehensive income		-	-	-	-	(680)	44,357	43,677
- Net income for the year		-	-	-	-	-	44,357	44,357
-Other Comprehensive Income		-	-	-	-	(680)	-	(680)
Balance at 30 June 2015		**248,400**	**(13,393)**	**235,007**	**33,534**	**(680)**	**381,270**	**649,131**
Balance at 1 January 2016		**248,400**	**(13,393)**	**235,007**	**33,534**	**1,021**	**431,737**	**701,299**
Transfers		-	-	-	8,279	-	(8,279)	-
Dividends paid		-	-	-	-	-	-	-
Capital increase in cash		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	(2,221)	63,785	61,564
- Net income for the year		-	-	-	-	-	63,785	63,785
-Other Comprehensive Income		-	-	-	-	(2,221)	-	(2,221)
Balance at 30 June 2016		**248,400**	**(13,393)**	**235,007**	**41,813**	**(1,200)**	**487,243**	**762,863**

The accompanying notes form an integral part of these financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	30 June 2016	30 June 2015
Cash flows from operating activities			
Net income for the year		63.785	44,357
Adjustments for:			
Depreciation and amortization		422	340
Remeasurement of derivative financial instruments at fair value		(29,149)	25,690
Unrealized fair value loss on hedged items		1,991	680
Provision for employment termination benefits		589	251
Provision for personnel performance bonus		682	975
Provision for impaired receivables		12,438	10.184
Deferred tax charge		(4,797)	(3.798)
Corporate tax charge		(11,346)	14.894
Taxes paid		(7,910)	(7.738)
Interest income and foreign exchange gain/(loss), net		(79,799)	(66.974)
Interest paid		(90,341)	(59.914)
Interest received		168,850	157,807
Unrealized foreign currency gains/(losses)		33,450	(9,703)
Cash flows from operating profit before changes in operating assets and liabilities		**58,865**	**106,051**
Changes in operating assets and liabilities			
Net decrease/(increase) in finance lease receivables		(166,268)	(292,626)
Net decrease/(increase) in other assets and prepaid expenses		5,513	(31,153)
Personnel performance bonus paid		(970)	(1,075)
Employment termination benefits paid		(100)	(224)
Net (increase)/decrease in accounts payables		41,488	(3,240)
Net (increase)/decrease in borrowings		(31,256)	320,487
Net (increase)/decrease in advances from customers		12,247	11,176
Net (increase)/decrease in other liabilities		(21,990)	(12,798)
Net cash (used in)/provided by operating activities		**(102,471)**	**96,598**
Cash flows from investing activities			
Purchase of property and equipment and intangibles		782	(280)
Disposals from property and equipment and intangibles		-	-
Net cash used in from investing activities		**782**	**(280)**
Cash flows from financing activities			
Proceeds from debt securities issued		54,022	316,209
Capital increase		-	60,000
Net cash provided by/(used in) financing activities		**54,022**	**376,209**
Net increase/(decrease) in cash and cash equivalents		**(47,667)**	**472,527**
Effect of foreign exchange rate changes on cash and cash equivalents		847	39,444
Cash and cash equivalents at the beginning of the year		405,285	132,513
Cash and cash equivalents at the end of the year		**358,465**	**644,484**

The accompanying notes form an integral part of these financial statements.

NOTE 1 - GENERAL INFORMATION

Ak Finansal Kiralama A.Ş., ("the Company") was established in İstanbul, Turkey on 14 November 1988, with the name BNP-AK-DRESDNER Finansal Kiralama A.Ş. pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by law number 3226. At 26 January 2005, the shares of the Company, held by the BNP Paribas Group and Dresdner Bank A.G. were purchased by Akbank T.A.Ş. Pursuant to the sales, the Company's name is changed to Ak Finansal Kiralama A.Ş. The registered office address of the Company is Sabancı Center Kule: 2 Kat: 8-9. 4. Levent İstanbul, Turkey.

The parent of the Company is Akbank T.A.Ş. and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.S and as at 30 June 2016, the Company employs 85 employees (31 December 2015 – 86 employees).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adapted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 BASIS OF PRESENTATION

Accounting standards

These interim condensed financial statements for the period ended 30 June 2016 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2015.

The interim condensed financial statements have been prepared under the historical cost convention, except for derivatives which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The interim condensed financial statements are presented in the national currency of the Republic of Turkey, the Turkish lira ("TL").

The Company maintains its books of account and prepares its statutory financial statements in thousands of Turkish Lira ("TL") which is the Company's functional and presentation currency, in accordance with communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies"("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA"), Turkish Commercial Code, Leasing Law and tax legislation.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim financial statements as at 30 June 2016 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows:

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Company.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)
The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. The amendments did not have an impact on the financial position or performance of the Company.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)
IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:
• At cost
• In accordance with IFRS 9,
Or
• Using the equity method defined in IAS 28

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The entity must apply the same accounting for each category of investments the amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

Amendments issued to IAS 1 to include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim financial statements of the Company.

Annual Improvements to IFRSs - 2012-2014 Cycle

IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

These amendments did not have significant impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. IFRS 15 scopes out(a) lease contracts within the scope of IAS 17(IFRS 16) Leases;(b) insurance contracts within the scope of IFRS 4 Insurance Contracts;(c) financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; consequently the Company estimates that the impact of the standard on its financial position or performance will not be significant .

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. Company estimates that the impact of the standard on its financial position or performance will not be significant

IFRS 9 Financial Instruments - Final standard (2014)

The IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

For the purposes of cash flows statement, cash and cash equivalents comprise cash and due from banks with less than 90 days original maturity.

Related parties

For the purpose of these financial statements, the shareholders of the Company, key management personnel and Board members and their close family members, the Sabancı Group, Akbank and the companies controlled by or affiliated with them are considered and referred to as related parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

(i) As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognized as a receivable. All costs that are directly attributable to the investment in direct finance lease are capitalized at initial recognition as part of the investment in direct finance lease and amortized via effective interest rate method. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognized on sale of leased assets is recorded as gain on liquidation of investments.

Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct finance leases. Gross rentals due but not received at the balance sheet date are classified as receivables from outstanding lease payments. Receivables from outstanding lease payments are carried at net realizable value. To date, the Company has not entered into operating leases over company assets.

(ii) Operating lease as lessee

Leases that do not transfer to the company substantially all of the risks and incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in direct finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the year.

Investment in direct finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment of lease and accounts receivables for the year (Note 6).

Derivative financial instruments

The major derivative instruments utilized by the Company are currency and interest rate swaps, cross currency swaps, and currency forwards.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "International Accounting Standard for Financial Instruments: Recognition and Measurement" ("IAS 39"). Although certain derivative transactions provide effective economic hedges under the Bank's risk management position, in accordance with IAS 39 they are treated as derivatives "Held-for-trading".

Derivative instruments are re-measured at fair value after initial recognition, if the fair value of a derivative financial instrument is positive, it is accounted for as "derivative financial instruments-assets"; if the fair value difference is negative, it is accounted for as derivative financial instruments-liabilities". Differences in the fair value of derivative instruments are accounted as income/loss from derivative financial transactions under "net trading, hedging and fair value income/(loss)" item in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Fair Value Hedge and Cash Flow Hedge Transactions

Fair value hedge
The Company hedges its fixed rate HUF Eurobond security issued against fair value risk arising from the fluctuations in the market interest rates and certain part of its EUR financial lease transactions from the fluctuations in the foreign exchange rates with cross currency swaps.

The Company hedges its fixed rate TL borrowings against fair value risk arising from the fluctuations in the market interest rates and certain part of its EUR financial lease transactions from the fluctuations in the foreign exchange rates with cross currency swaps.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized in the income statement in "net trading, hedging and fair value income / (loss)". Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognized in the income statement in net trading, hedging and fair value income/(loss).

Cash flow hedge
Within the subject of interest rate and currency risk management, the Company has decided to implement cash flow hedge strategy in order to take protection via cross-currency swap transaction against the cash flow risk that might occur due to both change in market interest rates and currency rates for foreign currency borrowings.

Within the subject of interest rate and currency risk management, the Company has decided to implement cash flow hedge strategy in order to take protection via cross-currency swap transaction against the cash flow risk that might occur due to both change in market interest rates and currency rates for issued Eurobond; as well as change in foreign currency rates on financial lease receivables.

Floating rate foreign currency borrowings of the Company is subject to hedge accounting by interest swap transaction against cash flow changes sourcing from changes in market interest rates.

Hedge effectiveness testing
Prospective tests are performed regularly at the inception of the hedge relationship and both prospective and retrospective tests are performed at each reporting period-end regularly by using
NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

"Dollar off-set method". In this method, changes in the fair value of the hedged item and changes in the fair value of the hedging instruments between the designation date and each reporting period-end are compared and effectiveness ratio is calculated. In the determination of the fair values of hedging instruments and hedged item, market yield curves are used. Hedge accounting principles are applied by assessing the calculated effectiveness ratio within the scope of IAS 39.

When the hedging instrument expires, or is executed, sold, revoked or the hedge relationship has become ineffective as a result of the effectiveness test;

- In fair value hedges Adjustments made to the carrying amount of the hedged item is amortized to profit and loss over the remaining term of the original hedge by using the recalculated effective interest rate.
- In cash flow hedges the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized

Hedge relationship is ceased when the hedged item is derecognized and fair value adjustments made to the carrying amount of hedged item is accounted in income statement.

Property and equipment

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over the cost of property and equipment using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Furniture and fixtures	3-15 years
Office equipment and motor vehicles	2 - 10 years
Leasehold improvements	Shorter of lease period or useful lives

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price" and "value in use"), it is written down immediately to its recoverable amount. The recoverable amount of the impaired property and equipment represents fair value less costs to sell.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Intangible assets

Intangible assets comprise computer software costs and are carried at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over 3-5 years.

Assets held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their carrying amounts and fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value". As of June 30, 2016 assets held for sale are stated at their carrying amounts. Assets are not depreciated or amortized once classified as held for sale.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

If an asset needs to be classified as construction-in-progress for a significant time, in order to be available for sale or available to use, borrowing costs related to the purchase and additional construction expenses are capitalized within the cost of asset. If there is an investment income related to the unconsumed part of the loans, it will be deducted from the capitalized interest expense.
All other finance expenses will be expensed during the period incurred.

Financial liabilities

Financial liabilities including borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the financial liability using the effective yield method.

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the provision for impaired lease receivables, derivative financial instruments, provisions for employment termination benefits and personnel bonus.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Employment termination benefits

Defined Benefit Plans:

Obligations related to employee termination benefits are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "employment benefits" account in the balance sheet.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the Turkish Labor Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in the case of the retirement of the employees in accordance with this Law and is calculated using the projected unit credit method

Defined Contribution Plans:

The Company also has to pay contributions to the Social Security Institution (Institution) for its employees within the contribution margin decided by the law. The Company does not have other liabilities to its employees or to the Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

Short Term Plans:

The Company also provides for short-term employee benefits such as vacation rights and bonuses in accordance with IAS 19.

Revenue recognition

Direct financing leases consist of full-payout leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be recognized over the term of the lease. The revenue is recognized in order to provide a constant periodic rate of return on the net investment remaining in each lease.

Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in TL at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. For specific treasury transactions, the opinion of Funding Committee, which was established by the approval of Board of Directors, is asked. Depending on the instrument and transaction amount, the approval of Board of Directors is also required.

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company adopts a detailed and thorough credit analysis, assessment and approval process. It works with selected and creditworthy counterparties and obtains sufficient and where appropriate additional collateral as a means of mitigating the risk of financial loss from defaults. A diversified portfolio by sector and asset and focus on assets with deep secondary market and higher residual value is achieved. The Company regularly monitors the ability of the counterparties to pay amounts in full when due, analyzes the financial position of the counterparties and monitors the condition of the leased assets. The Company's risk limits are continuously measured and monitored.

c. Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and currency risk, including interest rate swaps, currency swaps, cross currency swaps and forwards.

There has been no major change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

i) Currency risk

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed with asset-liability balancing transactions and derivatives. Currency risk is managed and reviewed by using clearly defined, approved and carefully monitored risk limit of foreign exchange position on a monthly basis.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below. Portfolio provision for leasing receivables in the balance sheet is considered as Turkish Lira in the calculation of the Net Currency Position.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 June 2016 and 31 December 2015.

				Foreign Currency
30 June 2016	**US$ (TL Equivalent)**	**EUR (TL Equivalent)**	**Other (TL Equivalent)**	**Total**
Assets				
Due from banks	63,370	144,291	492	208,153
Finance lease receivables(*)	1,333,542	1,753,419	-	3,086,961
Other assets	1,882	3,692	-	5,574
Total assets	**1,398,794**	**1,901,402**	**492**	**3,300,688**
Liabilities				
Borrowings	499,142	1,356,728	-	1,855,870
Debt securities issued	869,414	112,361	40,374	1,022,149
Accounts payable	9,827	77,512	1,511	88,850
Advances from customers	10,530	15,375	1	25,906
Total liabilities	**1,388,913**	**1,561,976**	**41,886**	**2,992,775**
Net balance sheet position	**9,881**	**339,426**	**(41,394)**	**307,913**
Off-balance sheet derivative instruments net notional position	**2,849**	**(336,291)**	**39,648**	**(293,794)**
Total net balance sheet position (**)	**12,730**	**3,135**	**(1,746)**	**14,119**

(*) Foreign currency follow-up loans that are not subject to evaluation amounting to TL 23,556 are not presented in the currency risk.
(**)The fair value of derivatives held for trading and derivatives held for hedging in assets which are TL 5,075 total and fair value of derivatives held for trading and derivatives held for hedging in liabilities which are TL 34,225 total have not been included in net balance sheet position.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

			Foreign Currency	
31 December 2015	**US$ (TL Equivalent)**	**EUR (TL Equivalent)**	**Other (TL Equivalent)**	**Total**
Assets				
Due from banks	115,275	202,820	496	318,591
Finance lease receivables (*)	1,471,201	1,486,348	283	2,957,832
Other assets	2,550	4,749	15	7,314
Total assets	**1,589,026**	**1,693,917**	**794**	**3,283,737**
Liabilities				
Borrowings	717,874	1,265,596	-	1,983,470
Debt securities issued	895,595	-	81,603	977,198
Accounts payable	32,961	19,980	1,502	54,443
Advances from customers	6,585	8,394	16	14,995
Total liabilities	**1,653,015**	**1,293,970**	**83,121**	**3,030,106**
Net balance sheet position	**(63,989)**	**399,947**	**(82,327)**	**253,631**
Off-balance sheet derivative instruments net notional position	**42,989**	**(392,082)**	**80,650**	**(268,443)**
Total net balance sheet position (**)	**(21,000)**	**7,865**	**(1,677)**	**(14,812)**

(*) Foreign currency follow-up loans that are not subject to evaluation amounting to TL 23.038 are not presented in the currency risk.

(**) The derivatives held for trading and derivatives held for hedging assets which are TL 6.658 total and derivatives held for trading and derivatives held for hedging in liabilities which are TL 56.576 total have not been included in net balance sheet position.

At 30 June 2016, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of TL 2.8936=US$1 and TL 3.2044 EUR1 (31 December 2015 – TL 2.9076=US$1 and 2.1776=EUR1).

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss where the TL weakens against the relevant currency.

	US Dollar Impact (TL Equivalent)		**EURO Impact (TL**	
Equivalent)				
	2016	**2015**	**2016**	**2015**
Profit and Loss	1,273	(2,100)	313	787

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

ii) Interest rate risk

The Company is exposed to interest rate risk due to borrowings and finance lease receivables at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and finance lease receivables, by the use of derivatives such as interest rate swap contracts and cross currency swaps. Hedging activities are regularly evaluated regularly to ensure optimal hedging strategies are applied. Interest rate is managed and reviewed by using clearly defined, approved and carefully monitored risk limits such as repricing maturity gap analysis and economic value change analysis (stress tests).

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and related interest rate swaps and all other variables were held constant, the Company's:

• Profit for the period ended 30 June 2016 would increase/decrease by TL 670 (June 30, 2015 – increase/decrease TL 92). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of fixed rate debt issued and the cash flow exposures on the variable rate debt issued. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the start of the financial year.

The interest rate swaps settle on a quarterly basis. The Company will settle the difference between the fixed and floating interest rate on a net basis.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

30 June 2016	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Assets				
Due from banks	358,465	-	-	358,465
Finance lease receivables	849,621	1,109,344	1,969,091	3,928,056
Derivative financial instruments	5,076	-	-	5,076
Total assets	**1,213,162**	**1,109,344**	**1,969,091**	**4,291,597**
Liabilities				
Borrowings	725,857	928,371	730,407	2,384,635
Debt securities issued	285,375	99,924	851,141	1,236,440
Derivative financial instruments	34,225	-	-	34,225
Total liabilities	**1,045,457**	**1,028,295**	**1,581,548**	**3,655,300**
Net re-pricing gap	**167,705**	**81,049**	**387,543**	**636,297**

31 December 2015	Demand and up to 3 months	3 to 12 months	Over 1 year	Total
Assets				
Due from banks	405,285	-	-	405,285
Finance lease receivables	1,474,727	671,090	1,667,440	3,813,257
Derivative financial instruments	6,658	-	-	6,658
Total assets	**1,886,670**	**671,090**	**1,667,440**	**4,225,200**
Liabilities				
Borrowings	803,615	969,301	642,975	2,415,891
Debt securities issued	189,590	172,995	819,833	1,182,418
Derivative financial instruments	56,576	-	-	56,576
Total liabilities	**1,049,781**	**1,142,296**	**1,462,808**	**3,654,885**
Net re-pricing gap	**836,889**	**(471,206)**	**204,632**	**570,315**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company makes a detailed and complete analysis of the projected cash inflows (mainly lease installments) and cash outflows (mainly bank loan payments and payments to suppliers according to leasing transactions) and determines the exact cash requirements. A diversified funding base is used and stringent risk limits are utilized to manage and review liquidity risk.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

30 June 2016	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Liabilities				
Borrowings	232,703	628,952	1,764,301	2,625,956
Debt securities issued	294,811	141,368	877,016	1,313,195
Accounts payable	133,168	-	-	133,168
Advances from customers	34,901	-	-	34,901
Total liabilities	**695,583**	**770,320**	**2,641,317**	**4,107,220**
Cash inflow / (outflow) from derivative financial instruments, net	1,398	2,357	(1,081)	2,674

31 December 2015	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 year**	**Total**
Liabilities				
Borrowings	285,743	798,993	1,536,798	2,621,534
Debt securities issued	93,139	262,149	930,491	1,285,779
Accounts payable	91,680	-	-	91,680
Advances from customers	22,654	-	-	22,654
Total liabilities	**493,216**	**1,061,142**	**2,467,289**	**4,021,647**
Cash inflow / (outflow) from derivative financial instruments, net	5,241	(3,230)	2,591	4,602

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The fair values of certain financial assets and liabilities excluding finance lease receivables, debt securities issued and borrowings are considered to approximate their respective carrying values due to their short-term nature.

The table below indicates the fair values of the financial assets and financial liabilities which are stated at amortized cost:

	Carrying amount		Fair value	
	30 June 2016	**31 December 2015**	**30 June 2016**	**31 December 2015**
Finance lease receivables	4,200,128	4,033,860	4,028,141	3,918,192
Borrowings	2,384,635	2,415,891	2,220,899	2,259,896
Debt securities issued	1,236,440	1,182,418	1,213,705	1,101,948

Expected cash flows are discounted at current market rates with similar currency and remaining maturity to determine their fair value. The credit risk is not considered when calculating the fair value lease receivables as in line with the pricing of lease receivables..

The discount rate used to calculate the fair value of USD, EUR and TL borrowings and debt securities issued as at 30 June 2016 are %3.77, %2.72 and %11.64, respectively. (31 December 2015 was: %3.61, %2.96 and %11.04, respectively).

The discount rate used to calculate the fair value of US$, EUR and TL finance lease receivables as at 30 June 2016 are %6.21, %5.42 and %14.47, respectively. (31 December 2015 was: %6.09, %5.31 and %13.98, respectively).

Fair value hierarchy

Fair values of financial assets and liabilities that are carried with their fair values on the balance sheet are determined as follows:

Level 1: Financial assets and liabilities are valued at the quoted prices (unadjusted) in an active market for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

According to these classification principles stated, the Company's classification of financial assets and liabilities carried at their fair value and carried at amortized cost but for which fair value is disclosed are as follows:

30 June 2016

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	4,686	-
Derivative financial assets held for hedging	-	390	-
Finance lease receivables	-	4,028,141	-
Total assets	**-**	**4,033,217**	**-**
Derivative financial liabilities held for trading	-	16,412	-
Derivative financial liabilities held for hedging	-	17,813	-
Borrowings	-	2,220,899	-
Debt securities issued	-	1,213,705	-
Total liabilities		**3,468,829**	

31 December 2015

	Level 1	Level 2	Level 3
Derivative financial assets held for trading	-	2,288	-
Derivative financial assets held for hedging	-	4,370	-
Finance lease receivables	-	3,918,192	-
Total assets	**-**	**3,924,850**	**-**
Derivative financial liabilities held for trading	-	32,697	-
Derivative financial liabilities held for hedging	-	23,879	-
Borrowings	-	2,259,896	-
Debt securities issued	-	1,101,948	-
Total liabilities	**-**	**3,418,420**	**-**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

f. Capital risk management

In accordance with Article 12 of the "Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies" published in the Official Gazette dated December 24, 2013, the Company is required to keep its equity in accordance with the standard set out in the regulation. The Company complies with this requirement as of 30 June 2016 and 31 December 2015.

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment of finance lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of finance lease receivables are based on the aging of these receivable balances and the trend of collection performance.

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 June 2016			31 December 2015		
	FC	**TL**	**Total**	**FC**	**TL**	**Total**
Due from banks						
-demand deposits	26,332	7,442	33,774	20,080	3,594	23,674
-time deposits	181,822	142,869	324,691	298,511	83,100	381,611
Total cash and cash equivalents	**208,154**	**150,311**	**358,465**	**318,591**	**86,694**	**405,285**

For the purposes of cash flow statements, cash and cash equivalents comprise TL 358,465 and TL 405,285 at 30 June 2016, 31 December 2015, respectively.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	30 June 2016	31 December 2015
Gross finance lease receivables	4,666,917	4,542,385
Unearned finance income	(738,861)	(729,128)
	3,928,056	**3,813,257**
Invoiced lease receivables	44,723	33,300
Impaired lease receivables	118,911	114,268
Provision for impaired lease receivables	(87,802)	(81,258)
	4,003,888	**3,879,567**
Equipment to be leased	43,540	65,010
Advances to vendors	152,700	89,283
Net finance lease receivables	**4,200,128**	**4,033,860**

At 30 June 2016 and 31 December 2015 the finance lease receivables according to their interest type are as follows:

Gross finance lease receivables:	30 June 2015	31 December 2015
Fixed rate	3,002,133	2,970,089
Floating rate	1,664,784	1,572,296
	4,666,917	**4,542,385**

At 30 June 2016 and 31 December 2015 the leasing receivables have the following collection schedules:

	Finance Lease Receivables	
Year Ending	**Gross 30 June 2016**	**Net performing 30 June 2016**
31 December 2016	681,179	578,436
31 December 2017	1,195,420	965,504
31 December 2018	927,531	766,936
31 December 2019	667,788	562,746
31 December 2020 and after	1,194,999	1,054,434
	4,666,917	**3,928,056**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

	Finance Lease Receivables	
Year Ending	**Gross 31 December 2015**	**Net performing 31 December 2015**
31 December 2016	1,294,603	1,060,962
31 December 2017	1,019,747	832,075
31 December 2018	784,339	656,898
31 December 2019	550,798	468,864
31 December 2020 and after	892,898	794,458
	4,542,385	**3.813.257**

Finance lease receivables can be analysed as follows:

Year Ending	**30 June 2016**	**31 December 2015**
Neither past due nor impaired	3,928,056	3,813,257
Past due but not impaired	44,723	33,300
Impaired	118,911	114,268
Gross	**4,091,690**	**3,960,825**
Less: allowances for impairment	(87,802)	(81,258)
Net finance lease receivables	**4,003,888**	**3,879,567**

The total impairment provision for finance lease receivables at 30 June 2016 is TL 87,801 (31 December 2015 – TL 81,258) of which TL 66,496 (2015 – TL 63,928) represents the individually impaired loans and of which TL 21,306 (2015 – TL 17,330) represents the portfolio provision in the performing portfolio.

The Company obtains transfer of rights of receivables, mortgages, pledged securities, blocked deposits and guarantee letters as collateral from its customers. Collaterals repossessed by the Company are transferred to assets held for sale, to be converted into cash by selling the related assets.

Collateral in the form of mortgages on property valued amounting to TL 69,941 (December 31, 2015: TL 61,963) has been obtained for impaired finance lease receivables amounting to TL 118,911 (December 31, 2015 – TL 114,268).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

The aging of past due but not impaired finance lease receivables as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016		31 December 2015	
	Invoiced Amount	Remaining Principal Amount	Invoiced Amount	Remaining Principal Amount
0-30 days	20,384	223,095	9,741	150,787
30-60 days	5,584	50,369	1,632	16,477
60 -150 days	18,755	93,958	21,927	161,327
	44,723	**367,422**	**33,300**	**328,591**

Movements in provision for impaired finance lease receivables for the years ended 30 June 2016 and 2015 are as follows:

	30 June 2016	30 June 2015
At 1 January	81,258	63,790
Impairment expense during the year	12,438	12,179
Recoveries of amounts previously provided for	(5,894)	(4,119)
At period end	**87,802**	(71,850)

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 6 - FINANCE LEASE RECEIVABLES, NET (Continued)

Economic sector risk concentrations for the gross finance lease receivables as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	%	31 December 2015	%
Transportation	666,599	14	628,812	14
Construction	546,603	12	568,909	13
Steel and mining	493,826	11	459,075	10
Textile	402,146	9	420,622	9
Food and beverage	377,190	8	383,837	8
Tourism	335,123	7	298,595	7
Health	309,698	7	342,774	8
Energy and natural sources	215,488	5	222,582	5
Production	188,231	4	206,715	5
Wholesale and retail trade	180,448	4	190,294	4
Automotive	109,408	2	120,828	3
Financial institutions	102,050	2	93,877	2
Agriculture	100,667	2	113,637	3
Petroleum and chemistry	61,178	1	41,704	1
Chemistry	44,591	1	52,877	1
Technology, telecommunication, media and entertainment	35,029	1	40,039	1
Printing	20,389	-	30,351	1
Education	12,729	-	14,383	-
Other	465,524	10	312,474	5
	4,666,917	**100**	**4,542,385**	**100**

Minimum financial lease receivables consist of rentals receivable over the terms of leases. As per the lease agreements made with lessees, the ownership of the items leased is transferred to the lessees at the end of the lease term.

Depending on the customers' inability to repay its obligations arising from financial leases or other similar economic factors, the Company may cancel some of the lease contracts signed with its customers. These related assets may be re-leased to the same customer or to the other customers or; may be sold to the third parties, depending upon circumstances.

The Company has no finance lease payables as at 30 June 2016 and 31 December 2015.

As of 30 June 2016, the restructured lease receivables amounted to TL 4,999 (31 December 2015 – TL 3,839).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 7 - BORROWINGS

	30 June 2016			31 December 2015		
	Interest rates per annum (%)	**Balance in original currency**	**TL**	**Interest rates per annum (%)**	**Balance in original currency**	**TL**
Domestic borrowings						
Fixed rate borrowings:						
EUR	2.43	38,678	123,941	2.78	67,670	201,806
US$	4.07	13,790	39,904	4.28	18,044	52,463
TL	10.88	370,508	370,504	10.63	456,414	456,414
Floating rate borrowings:						
EUR	2.46	39,380	126,189	2.51	32,593	97,199
US$	3.44	4,559	13,193	2.15	112,144	326,071
Total domestic borrowing			**673,731**			**1,133,953**
Foreign borrowings						
Fixed rate borrowings:						
EUR	3.19	145,260	465,472	3.30	141,249	421,262
US$	2.52	18,179	52,603	2.50	21,568	58,180
TL	12.67	158,261	158,261	-	-	-
Floating rate borrowings:						
EUR	1.89	200,077	641,126	1.76	175,471	523,289
US$	2.43	135,970	393,442	2.39	103,937	279,207
Total foreign borrowings			**1,710,904**			**1,281,938**
Total borrowings			**2,384,635**			**2,415,891**

	30 June 2016	31 December 2015
Short Term Borrowings	468,673	1,062,554
Long Term Borrowings	1,915,962	1,353,337
	2,384,635	**2,415,891**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 8 –DEBT SECURITIES ISSUED

	30 June 2016	31 December 2015
Debt securities issued		
Turkish Lira (*)	216,106	205,220
Foreign Currency(**)	1,020,334	977,198
	1,236,440	**1,182,418**

(*) The Company has issued floating rate bonds on August 18, 2014 and June 30, 2015 amounting to nominal 65.000 TL and 14.130TL with maturity dates on August 15, 2016 and August 1, 2016 respectively. The Company has issued discounted bonds on February 10, 2016 and May 12, 2016 amounting to nominal 70.000TL and 70.000TL with maturity dates on August 5, 2016 and October 7, 2016 respectively.

(**) The Company issued a Eurobond amounting to nominal USD 250 million on April 17, 2013 with the maturity date of April 17, 2018.

The Company established a multi-currency Global Medium Term Note Programme ("GMTN") on December 23, 2013. Under the programme, the Company issued 28 private placements. As of June, 30 2016, the nominal outstanding amount of the issuances is HUF 700 million, CZK 275 million and USD 47,8 million and EUR 35 million in total (as of December 31, 2015, the nominal outstanding amount of the issuances is HUF 700 million, CZK 625 million and USD 55.6 million).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/notional amount	Fair values Assets	Liabilities
June 30, 2016			
Derivatives held for trading:	**810,390**	**4,686**	**16,412**
Foreign exchange derivatives			
Forward and currency swap transactions	701,081	4,684	15,989
Interest rate derivatives			
Interest rate swap transactions	109,309	2	423
Derivatives held for hedging:	**448,631**	**390**	**17,813**
Derivatives designated as fair value hedges:			
Cross currency swap transactions	236.119	355	16,755
Interest rate swap transactions	79.966	-	683
Derivatives designated as cash flow hedges:			
Cross currency swap transactions	84.969	35	-
Interest rate swap transactions	47.577	-	375
Total Over the Counter ("OTC")	**1,259,021**	**5,076**	**34,225**

	Contract/notional amount	Fair values Assets	Liabilities
December 31, 2015			
Derivatives held for trading:			
Foreign exchange derivatives	**659,783**	**2,288**	**32,697**
Forward and currency swap transactions	518,724	2,189	32,406
Interest rate derivatives			
Interest rate swap transactions	141,059	99	291
Derivatives held for hedging:	**709,329**	**4,370**	**23,879**
Derivatives designated as fair value hedges:			
Cross currency swap transactions	260,006	527	22.447
Interest rate swap transactions	86,666	47	-
Derivatives designated as cash flow hedges:			
Cross currency swap transactions	311.849	3.796	1.249
Interest rate swap transactions	50.808	-	183
Total Over the Counter ("OTC")	**1,369,112**	**6,658**	**56,576**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative financial instruments are classified as held for trading, unless they are designated as hedging instruments.

NOTE 10 - TAXATION

	30 June 2016	30 June 2015
Current tax charge	(11,346)	(14,894)
Deferred tax charge	(4,797)	3,798
	(16,143)	**(11,096)**

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20%. Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on an investment incentive allowance utilized within the scope of Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax declaration is made by the 14th day and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 10 - TAXATION (Continued)

Within the scope of Temporary Article 69 of the Income Tax Law (for the years of 2006, 2007 and 2008) income tax payers, and corporate taxpayers who are benefiting from investment allowance practice, had calculated their income or corporate tax base related to the aforementioned years by applying to their income for the year in which the allowance was requested the tax rate applicable as of 31 December 2005, and the tax rate of 30% stated in the Article 25 of the annulled Corporate Tax Law No. 5422, respectively.

However, it was no longer possible to benefit from the carried-forward investment allowance amount left unused as of 31 December 2008. In this respect, a lawsuit is filed against the Constitutional Court on the basis that it is against the equality and certainty in taxation which are guaranteed by the Constitution.

According to the decision of the Constitutional Court dated 15 October 2009 and numbered E:2006/95, the phrase "comprising only the years 2006, 2007 and 2008" in the Provisional Article 69 of the Income Tax Law regarding the investment incentives is revoked. Therefore, the time limitation on the use of unused investment incentives was removed. The decision of the Constitutional Court has been published in the Official Gazette on 8 January 2011. Therefore, the cancellation became effective with the publishing of the decision of the Constitutional Court at the Official Gazette.

With the 5th article of the new tax code numbered 6009 and published in the Official Gazette dated 1 August 2011 certain amendments were made with respect to the utilization of investment allowances. According to this new tax code, utilization of the investment allowances is limited to 25% of the income generated by the Company within the current year. Accordingly, companies in Turkey are obliged to pay corporate income taxes amounting to 20% of 75% of their taxable income remained after the utilization of the investment allowances.

As mentioned above, via the amendments made to the Corporate Tax Code on 1 August 2011 utilization of investment allowances is limited to 25% of the income generated within the current year.

On the other hand on 9 February 2012 Constitutional Court cancelled this 25% limitation on the utilization of investment allowances during the determination of the corporate tax base and this decision of the Constitutional Court has been published on the Official Gazette on 18 February 2012.

Income tax

	30 June 2016	**31 December 2015**
Income taxes currently payable	11,346	33,117
Prepaid taxes	(7,910)	(28,534)
Income taxes payable / (asset)	**3,436**	**4,583**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 10 - TAXATION (Continued)

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Company:

	30 June 2016	30 June 2015
Profit before taxes	**79,928**	**55,453**
Theoretical tax expense with 20% tax rate	(15,986)	(11,091)
Non-deductible expenses and others	(157)	(5)
Current year tax (expense)	**(16,143)**	**(11,096)**

Deferred taxes:

Under IAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax asset and deferred tax liability have been netted of in these financial statements.

The breakdown of deductible and taxable temporary differences is as follows:

	Cumulative timing differences		Deferred assets / (liabilities)	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Provision for leasing receivables	16,887	16,061	3,378	3,212
Valuation of derivative financial instruments	34,225	56,576	6,845	11,315
Fair value differences of hedged items, net	1,991	-	398	-
Provision for personnel bonus	682	1,500	137	300
Provision for unused vacation	792	928	158	186
Provision for employment termination benefits	589	650	118	130
Provision for legal proceedings	457	457	91	91
Total	**55,623**	**76,172**	**11,125**	**15,234**
Finance Lease Accruals	(44,960)	(39,774)	(8,992)	(7,955)
Valuation of derivative financial instruments	(5.076)	(6,658)	(1,015)	(1,332)
Fair value differences of hedged items, net	-	(2,822)	-	(564)
Valuation of financial liabilities	(539)	(599)	(108)	(120)
Other	(367)	(420)	(73)	(84)
Total	**(50,942)**	**(50,273)**	**(10,188)**	**(10,055)**
Net	**4,681**	**25,899**	**937**	**5,179**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 11 - SHARE CAPITAL

At 30 June 2016 the Company's authorized share capital consists of TL 24,840,000,000 shares with a par value of Kr 1 each (31 December 2015 – TL 24,840,000,000 shares with a par value of Kr 1 each). There is no privilege assigned to shares.

At 30 June 2016 and 31 December 2015, the share capital is as follows:

	30 June 2016		31 December 2015	
	Shares (%)	**TL**	**Shares (%)**	**TL**
Akbank T.A.Ş	99,985	248,363	99,985	248,363
Hacı Ömer Sabancı Holding A.Ş.	0,005	12	0,005	12
Tursa Sabancı Turizm ve Yatırım Hizm A.Ş.	0,005	12	0,005	12
Bimsa Bilgi İşlem A.Ş.	0,003	9	0,003	9
Ak Yatırım Menkul Değerler A.Ş.	0,002	4	0,002	4
	100.00	**248,400**	**100.00**	**248,400**
Adjustment to share capital		(13,393)		(13,393)
		235,007		**235,007**

NOTE 12 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of transactions were entered into with related parties in the normal course of business. The Company is controlled by Akbank T.A.Ş. and ultimate parent of the Company is Hacı Ömer Sabancı Holding A.Ş.

a) Balances with related parties

Assets

	30 June 2016	31 December 2015
Due from banks		
Akbank T.A.Ş. (Shareholder)	349,470	391,576
	349,470	391,576
Net finance lease receivables – (Leasing transaction)		
Shareholder		
Akbank T.A.Ş.	59,110	86,410
Other related parties		
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	82,048	93,645
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	3,506	4,347
	144.664	**184,402**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

Liabilities

Borrowings

	30 June 2016	31 December 2015
Akbank T.A.Ş. (Shareholder)	461,147	616,735
Akbank A.G.	128,847	80,075
	589,994	**696,810**

Trade payables

	30 June 2016	31 December 2015
Ak Sigorta A.Ş. (Other related parties)	5,989	6,955
Akçansa Çimento Sanayi ve Ticaret A.Ş.	77	77
Brisa Bridgestone Sabancı Lastik Sanayi ve Tic. A.Ş.	17	17
Bimsa Uls. Bilgi ve Yönetim Sist. A.Ş.	3	3
	6,086	**7,052**

b) Transactions with related parties
Interest income from direct finance leases

	30 June 2016	30 June 2015
Shareholder		
Akbank T.A.Ş.	4,585	5,605
Other related parties		
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	2,067	-
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	294	409
	6,946	**6,014**

Interest income on bank deposits

Akbank T.A.Ş. (Shareholder)	9,604	3,908
	9,604	**3,908**

Interest expense on borrowings

Akbank T.A.Ş. (Shareholder)	22,876	23,520
Akbank A.G. (Other related parties)	1,569	1,379
	24,445	**24,899**

Commission income

Akbank T.A.Ş. (Shareholder)	1,554	13
Bimsa Uls. Bilgi Ve Yönetim Sist. A.Ş.	5	-
Aksigorta A.Ş.	-	1,068
	1,559	**1,081**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

Commission expense		
Ak Yatırım Menkul Değerler A.Ş.	684	569
Akbank T.A.Ş. (Shareholder)	140	464
	824	**1,033**
Rent and service expenses (other operating expenses)		
Akbank T.A.Ş. (Shareholder)	60	41
	60	**41**
Rent expenses (operating expenses)		
Hacı Ömer Sabancı Holding A.Ş. (Shareholder)	503	490
Akbank T.A.Ş. (Shareholder)	17	85
	520	**575**

	30 June 2016	**30 June 2015**
Gains on derivative instruments		
Akbank T.A.Ş. (Shareholder)	51,806	25,242
	51,806	**25,242**
Losses on derivative instruments		
Akbank T.A.Ş. (Shareholder)	46,644	27,771
	46,644	**27,771**
Remuneration of top management		
Remuneration of top management	1,186	1,224

	30 June 2016	**31 December 2015**
Contingent liabilities		
Guarantee letters obtained from		
Akbank T.A.Ş. (Shareholder)	187,572	195,992
Finance lease commitments		
Akbank T.A.Ş. (Shareholder)	1,044	21,603
Total	**188,616**	**217,595**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

Interest rate swap transactions		
Akbank T.A.Ş. (Shareholder)	47,488	62,620
Currency swap transactions		
Akbank T.A.Ş. (Shareholder)	425,722	113,817
Cross currency swap transaction		
Akbank T.A.Ş. (Shareholder)	221,825	245,570
Derivatives designated as fair value hedges		
Akbank T.A.Ş. (Shareholder)	84,969	85,179
Total	**780,004**	**507,186**

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 30 June 2016 and 31 December 2015.

Legal Proceedings

The Company has provided for a total provision of TL 457 against certain open legal cases as of 30 June 2016 (31 December 2015: TL 457).

Commitments under derivative instruments

	30 June 2016		**31 December 2015**	
	Nominal Original amount	**Nominal TL**	**Nominal Original amount**	**Nominal TL**
Forward and Swap Purchase Transactions				
USD	82,210	237,882	95,737	278,364
EURO	8,926	28,604	10,972	34,864
TL	311,395	311,395	271,348	271,348
CZK	275,000	32,557	625,000	73,538
HUF	700,000	7,091	700,000	7,112
Total Purchase		**617,529**		**665,226**
Forward and Swap Sale Transactions				
USD	81,225	235,032	80,952	235,375
EURO	113,873	364,895	134,361	426,946
TL	41,565	41,565	41,565	41,565
Total Sales		**641,492**		**703,886**
		1,259,021		**1,369,112**

Guarantees given

The Company has given letter of credit and guarantee amounting to TL 351,590 (2015 – TL 380,878) to courts, customs, banks for Hermes covered loans; this amount also covers the aircrafts mortgaged to US Exim and EDC on asset based structured finance transactions. The guarantees given for Hermes covered loans is TL 181,773 (2015 – TL 193,263) and the amount of aircrafts mortgaged is amounting to TL 163,161 (2015 – TL 184,457). The Company has letters of credit in the amount of TL 117,330 (2015 – TL 48,869) and finance lease commitments in the amount of TL 273,403 (2015 – TL 229,824) for the leased asset imports.

Contingent liabilities

With the temporary article 69 added to the Income Tax Code by the Code 5479, a regulation was introduced stating that the investment allowance amounts calculated within the scope of investment expenses realized until the date 31 December 2005 can be deducted from 2006, 2007 and 2008 earnings only. Therefore, investment allowance right not used as at 31 December 2008 were not to be transferred to and utilized in following years.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Because of the fact that retrospective rights of the Company had been cancelled with temporary article 69, the Company filed the first advance tax return of 2009 through reservation by claiming that they should be allowed to benefit from investment incentive allowance, and initiated a tax case at tax court within this scope. On 30 March 2011, Republic of Turkey Istanbul 2nd Tax Court ruled (with reference to the Constitutional Court decision mentioned below) that the investment incentive allowance, which the Company could not use within 2008 due to their insufficient profit, can be transferred to the following years and used within the scope of deduction, and the tax amount levied by rejecting the mentioned declaration through reservation is not in compliance with the laws. Furthermore, according to the decision of Istanbul Tax Court dated on 30 November 2012 related to 2009 second advance tax, litigation process finalized in favor of the Company and the Company requested refund of 2009 second advance tax from Tax Office.

With the decision numbered 2006/95 E and 2009/144 K; and dated 15 October 2009 of the Constitutional Court promulgated in the Official Gazette dated 8 January 2011, the time limitation was repealed with regard to the investment incentive allowances which have been already granted.

In 2009 third and fourth advance tax returns and 2009 annual corporate tax return, the Company benefited from investment incentive allowance practice.

In tax inspection reports issued within the scope of tax inspection conducted at the Company within 2011, it is explained that the Decision of Constitutional Court became effective upon being promulgated in the Official Gazette dated 8 January 2011; therefore, investment incentive allowance cannot be utilized in 2009 third and fourth advance tax returns and 2009 annual corporate tax return.

The Company requested a settlement for the principle tax and tax penalties communicated to the Company, however, a settlement could not be arranged as of October 30, 2014, in responses, the Company filed a lawsuit in the tax court on November 7, 2014 for corresponding case.

The Company requested settlement for these taxes and penalty amounts imposed against them, but their right to litigation is still preserved. The Company management foresees that; considering the related annulment decision of the Constitutional Court, decision of Istanbul Tax Office taken with regard to 2009 first and second advance tax period of the Company and the decision of the Constitutional Court dated 9 February 2012 and numbered E:2011/93, K. 2012/20 which was published on the Official Gazette on 18 February 2012, if litigation is initiated against the tax penalty notifications issued with regard to the year 2009, the litigation process will be finalized in favor of the Company. Accordingly, no provision has been recorded into the financial statements as of 30 June 2016 and 31 December 2015 related to the abovementioned tax issue.

After the decision of the Constitutional Court, the file at the conciliation commission regarding the investment discount is expected to be closed in accordance with the decision.

NOTE 14 - SUBSEQUENT EVENTS

The Company established GMTN Programme providing opportunity for making export in different currencies on 23 December 2013, and made export transactions as it is disclosed under Note 8. Updating of this GMTN Programme in order to make new export transactions is completed as of 5 August, 2016.